

ANNUAL REPORT
1935



WOOLWORTH BUILDING
New York

OFFICERS

J. SPENCER WEED	- - - - -	President
LANSING P. SHIELD	- - - - -	Vice-President
LOUIS C. WADMOND	- - - - -	Vice-President
SAMUEL WINOKUR	- - - - -	Secretary
THOMAS C. BUTLER	- - - - -	Treasurer

DIRECTORS

RALPH T. CRANE
JOHN FOSTER DULLES
RAY MORRIS
J. SPENCER WEED

New York, N. Y.,
March 13, 1936.

TO THE STOCKHOLDERS:

The consolidated balance sheet as of December 28, 1935 and the annual consolidated earnings and surplus accounts of The Grand Union Company and its subsidiaries are submitted herewith, together with the certificate of our auditors, Lybrand, Ross Bros. & Montgomery.

Net income, after deducting all charges including depreciation, federal and state taxes, amounted to \$184,429.50. Sales amounted to \$27,996,072., exclusive of \$33,079. green coffee jobbing sales, compared with retail sales in 1934 of \$27,770,405., also exclusive of green coffee jobbing sales.

Although retail sales showed an increase over those of the preceding year and a reduction of \$219,997.28 in expenses was effected, profits were less. This we attribute to competitive conditions which have not permitted high enough retail prices to offset the increased cost of merchandise. Taxes continue to increase.

The reorganization of our western business, referred to in last year's letter to stockholders, has made definite progress.

Cash on hand amounted to \$868,992.47 at the end of the year, compared with \$539,821.75 at the close of the previous year. There are no bank loans and the company has no funded debt.

At the end of the year the company was operating 666 branches compared with 675 at the end of 1934.

A total of \$1.50 per share was paid on the Preference Stock during 1935, as against the normal requirement of \$3.00, so two dividends of \$.75 per share remained unpaid and cumulative against the future. At the Directors' meeting held on January 28, 1936, a further dividend of 37½ cents per share was declared payable on March 1, 1936 to Preference Stockholders of record on February 10.

J. SPENCER WEED,
President.

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AND ITS SU

CONSOLIDATED
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ASSETS

Current assets:

Cash on hand and in banks	- - - - -	\$ 868,992.47
Accounts receivable:		
Trade	- - - - -	\$ 649,096.32
Miscellaneous	- - - - -	130,609.47
		<hr/>
		779,705.79
Less, Allowances for losses	- - - - -	163,031.74
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Operating advances to and receivables from agents and employees	- - - - -	616,674.05
Inventories at costs (not in excess of market):		
Merchandise	- - - - -	2,552,123.12
Premiums	- - - - -	175,640.08
Supplies	- - - - -	134,592.78
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Total current assets	- - - - -	2,862,355.98
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Investments at costs, less \$26,663.63 allowance for losses (market quotations not available)	- - - - -	4,374,695.55
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Real estate at market values as at various dates in 1933, per appraisals of Scott Realty Appraisal Co., plus addition of \$7,868.14 representing the net amount at which a mortgage foreclosed during 1934 was previously carried	- - - - -	16,727.42
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Less, Allowance for depreciation of improvements	- - - - -	185,821.42
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Machinery, fixtures and equipment at costs, except as to \$1,583,879.72 representing revaluations as at December 31, 1932 by Board of Directors	- - - - -	6,782.28
Less, Allowances for depreciation	- - - - -	179,039.14
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Premium merchandise advanced to customers at cost, less cost of profit-sharing credits	- - - - -	2,704,960.36
Less, Allowance for losses	- - - - -	1,266,881.13
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Prepaid expenses, deferred charges, etc.	- - - - -	1,438,079.23
Good will	- - - - -	414,916.76
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		78,766.87
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		336,149.89
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		60,793.93
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		1.00
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		\$6,405,486.16

UNION COMPANY
SUBSIDIARIES

BALANCE SHEET
December 28, 1935

LIABILITIES

Current liabilities:

Bankers' acceptances against coffee received under trust receipts	-	-	-	-	\$ 81,446.86
Accounts payable, trade	-	-	-	-	908,729.56
Accrued liabilities:					
Taxes	-	-	-	\$ 24,206.20	
Other	-	-	-	33,174.38	57,380.58
Total current liabilities	-	-	-		1,047,557.00
Employees' fidelity deposits	-	-	-		65,786.12
Mortgages on real estate	-	-	-		12,000.00
Liability to minority stockholders of dissolved subsidiary company	-	-	-		6,019.05
Reserves:					
For unredeemed premium tickets	-	-	-	45,319.15	
For rentals and expenses of closed stores and warehouses	-	-	-	10,875.67	56,194.82
					1,187,556.99

Note: The company is contingently liable for approximately \$6,000 of unused balances of letters of credit.

CAPITAL

Capital stock:

Convertible cumulative preference stock without par value, entitled to \$60 per share on redemption or in liquidation:

Authorized 500,000 shares

Issued and outstanding 159,550 shares
of \$3 dividend series

3,988,750.00

Note: After giving effect to the December 1, 1935 dividend payment, the dividends on the preference stock as at that date were in arrears \$1.50 per share.

Common stock, par value \$1 per share:

Authorized 750,000 shares (of which 239,325 are reserved for conversion privilege attaching to preference stock)

Issued and outstanding 286,867 shares

286,867.00

Note: 16,500 shares of common stock are under option at \$2.50 per share (1,000 shares to May 1, 1936, 3,500 shares to May 31, 1936 and 4,000 shares for each of the three years ending May 31, 1937 to 1939) out of a total of 45,950 shares reserved for issue at not less than \$2.50 per share.

Capital surplus, including \$750 arising in 1935 through issue of common stock at prices in excess of par value

\$664,117.14

Earned surplus, as annexed

278,195.03

942,312.17 5,217,929.17

\$6,405,486.16

CONSOLIDATED INCOME ACCOUNT

for the year ended December 28, 1935

Sales	- - - - -	\$28,029,151.54
Cost of sales	- - - - -	20,937,315.04
		7,091,836.50
Gross profit, before depreciation	- - - - -	
Selling and general expenses, and depreciation:		
Store expenses, salaries of clerks, managers and superintendents, delivery, advertising and other expenses	- - - - -	\$5,974,951.57
General and administrative expenses including provision for federal income and capital stock taxes	- - - - -	633,192.54
Depreciation of distribution equipment, etc.	-	306,841.88
		6,914,985.99
Profit from operations	- - - - -	176,850.51
Miscellaneous income, interest, etc., less miscellaneous deductions of \$54,700.16	- - - - -	7,578.99
Net income	- - - - -	\$ 184,429.50

CONSOLIDATED EARNED SURPLUS ACCOUNT

for the year ended December 28, 1935

Balance, December 29, 1934	- - - - -	\$333,072.03
Net income for 1935, as annexed	- - - - -	184,429.50
		517,501.53
Dividends paid on preference stock	- - - - -	239,306.50
Balance, December 28, 1935	- - - - -	\$278,195.03

AUDITORS' CERTIFICATE

TO THE GRAND UNION COMPANY,
New York, N. Y.

We have made examinations of the balance sheets of THE GRAND UNION COMPANY and of its Subsidiaries as at December 28, 1935 and of the related statements of income and surplus for the year 1935. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence and obtained information and explanations from officers and employees of the companies; we also made general reviews of the accounting methods and of the operating and income accounts for the year, but we did not make detailed audits of the transactions.

In our opinion, based upon such examinations, the foregoing consolidated balance sheet and related statements of consolidated income and surplus fairly present, in accordance with accepted principles of accounting consistently maintained by the companies during the year under review, the consolidated position of the companies at December 28, 1935 and the consolidated results of their operations for the year.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, March 5, 1936.

